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Chairman: Mr. Ali ..... (Malaysia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Ms. McLurg

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The meeting was called to order at 3.05 p.m.

Agenda item 126: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Procurement (A/61/846 and Add.1; A/62/525 and A/62/721)

1. **Mr. Buades** (Chief, Procurement Service), introducing the comprehensive report of the Secretary-General on United Nations procurement activities (A/62/525), recalled that the report of the Secretary-General on procurement reform (A/60/846/Add.5 and Corr.1) had been considered by the Committee in June 2006. Following adoption by the General Assembly of its resolution 61/246 and taking into account resolutions 61/276 and 61/279, the Procurement Division had introduced a number of measures to strengthen internal control, optimize acquisition processes and enhance the strategic management of United Nations procurement activities. The report of the Secretary-General now being introduced (A/62/525) provided an update on the implementation of the procurement reform programme.

2. In order to facilitate the development and implementation of procurement reform measures, the Procurement Division had established the Procurement Reform Implementation Team, mandated to coordinate and implement reform initiatives and subsequent measures. One of the Team's most significant achievements was the development of a procurement training programme including modules on best value for money and ethics and integrity in procurement activities, and a module for staff serving on local committees on contracts at duty stations outside Headquarters. The training programme had begun with a pilot session in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) in May 2007. By the end of May 2008 a total of 35 sessions would have been held at peacekeeping and other duty stations, training over 1,000 staff members involved in the acquisition of goods and services for the Organization.

3. The Procurement Reform Implementation Team had also contributed to updating the Procurement Manual and to a proposal for the streamlining of the vendor registration system, which would first be implemented at Headquarters as a pilot programme. Other initiatives currently under way included the development of ethics guidelines for staff engaged in procurement activities and of the independent bid protest system, and the establishment of a senior vendor review committee. Those initiatives should be finalized by summer 2008. The Procurement Division was also working with the Department of Public Information to improve its internal and external communication policy so as to highlight that the procurement process was robust, fair and transparent. To that end, a fact sheet on multifunctional contract arrangements at the African Union-United Nations Hybrid Operation in Darfur (UNAMID) and a briefing report were available for delegations to consult.

4. In 2007, the Procurement Division had established the Planning, Compliance and Monitoring Section, responsible for coordinating acquisition planning and monitoring compliance with procurement policies, guidelines and procedures. In 2007, the Section had organized management visits to peacekeeping missions in order to inform peacekeeping personnel of latest policy and best practices. It also acted as a focal point for audits of procurement activities and was responsible for reviewing and implementing the findings and recommendations of oversight bodies.

5. The General Assembly had reiterated its request to increase procurement opportunities for developing countries and countries with economies in transition. That issue was of the highest priority for the Under-Secretary-General for Management. As requested by the General Assembly, the Vendor Registration and Management Team had been established in 2007, and had started working with Member States to explore opportunities for further collaboration, including the continuation and improvement of the business seminar programme — a key vehicle for relaying information on vendor registration and United Nations business opportunities. The Team had held a series of planning meetings with Member States — in which representatives of 64 Member States had participated — and had embarked on the review of the vendor database in order to update vendor information. In April 2008 it would also begin a pilot programme for streamlining vendor registration at Headquarters. In that regard, the Secretariat was currently in discussions with the United Nations Office for Project Services (UNOPS), which had taken over the management responsibility of the United Nations Global Marketplace. Once the pilot programme had been successfully implemented, the

Team would deploy the new vendor registration procedures to peacekeeping and other duty stations so as to increase procurement opportunities for vendors from developing countries and countries with economies in transition. At the same time, the Team continued to conduct the due diligence programme in order to identify vendors or principals with questionable business practices that had been reported in the public domain or by oversight/investigating bodies.

6. Improved communication with peacekeeping missions was of the utmost importance, especially since most of the Organization's procurement activities were for field missions and carried out under the procurement authority delegated by Headquarters. The Procurement Division had established a field liaison unit within the Field Procurement Section in order to improve liaison with field procurement officers by providing them with policy and technical guidance in a timely manner.

7. Following the Committee's previous discussions on governance issues, procurement reform and strengthening the capacity of the United Nations to manage and sustain peacekeeping operations, the Procurement Division's governance structure had been reinforced with the establishment of one D-2 post and two D-1 posts. The Departments of Management and Field Support had also agreed on general principles for an immediate improvement of the governance structure of procurement functions at Headquarters and in peacekeeping missions. The Secretariat was currently reviewing a proposal to co-locate the Procurement Division with the operational and logistic functions of the Department of Field Support in order to improve synergy and prioritization, without transferring resources between the Departments. A matrix-based approach would also be implemented. A report on governance issues would be provided at a future session.

8. Procurement Task Force activities had revealed a pressing need to establish stronger vendor management capacity and various internal control measures. In keeping with the guidance of the High-level Committee on Management, the Procurement Division had participated in the newly established High-level Committee on Management-Procurement Network and was working closely with member organizations of the United Nations system to develop a unified approach to such vendor management issues as the suspension or removal of vendors.

9. With regard to new initiatives and challenges, the Procurement Division was actively participating in system-wide initiatives to increase awareness of the concept of sustainable procurement. In order to address environmentally friendly and sustainable procurement, the Secretariat required specific expertise in that area. Staff training was needed, as were new technical specifications for goods in order to promote sustainability in the Organization's procurement activities.

10. The surge in peacekeeping-related procurement continued with new missions in Darfur, Chad and, in all likelihood, Somalia. The Procurement Division would need not only to meet the immediate requirements for deployment to new missions, but also to enhance its in-house expertise in cost analysis in connection with the complex logistical requirements of new missions. There was also an urgent need for expertise in managing procurement in connection with complex information technology support, as in the case of the enterprise resource planning system, the talent management system and applications relating to the management of fuel and food contracts. In that connection the Procurement Division needed to take full advantage of the enterprise resource planning system and ensure its early implementation as a way of improving internal control and oversight of procurement activities throughout the Organization.

11. Any requests and their related resource requirements would be submitted to the Committee for review in the context of the support account for peacekeeping operations for the period from 1 July 2008 to 30 June 2009.

12. The Secretariat had made great strides in addressing past inadequacies and had made every effort to address delegations' concerns. However, although much had been accomplished over the last 18 months, many challenges remained. The Secretariat therefore sought delegations' support for the ongoing procurement reform.

13. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), introducing the report of the Office of Internal Oversight Services (OIOS) on the audit of the application of the best value for money principle in United Nations procurement (A/61/846), recalled that the General Assembly, in its resolution

60/259, had requested the Secretary-General to entrust OIOS to submit a report on the use of the best value concept in the evaluation and award of procurement contracts in order to identify any possible misuse of the principle. In response, OIOS had undertaken an audit of the application of the best value for money principle with the overall objective of determining whether it was clearly defined and consistently applied in awarding contracts.

14. The Secretariat had not provided the legislative bodies with a clarification of the best value for money principle prior to its adoption. Nor had the principle been fully explained since its adoption. That failure to clarify the best value principle had precluded legislative bodies and managers and staff involved in procurement from reaching a common understanding of the results to be expected from its use, which, in turn, had precluded OIOS from determining whether the best value for money principle had been appropriately applied.

15. Her Office had, however, noted a number of weaknesses in the application of the principle. First, there was no specific evidence that the Secretariat had increased procurement from developing countries and countries with economies in transition, notwithstanding the commitment made by Member States. Second, there was no specific evidence that international competition was effectively achieved in procurement. In order to achieve the best value for money, all suitable and available sources of goods and services should be given an opportunity to participate in the Organization's procurement. Third, the Procurement Manual set out a weight-based methodology to achieve best value for money in evaluating bids received in response to requests for proposal, but did not prescribe the use of the best value for money evaluation method for requests for quotation and invitations to bid, the two other types of solicitations used by the United Nations. Fourth, in all cases tested by OIOS where the best value for money evaluation methodology had been used, the corresponding procurement files had contained insufficient documentation to demonstrate that a "best value" concept had been properly formulated and translated into specific vendor evaluation criteria. Fifth, the extent of supervision exercised by Procurement Division management to ensure the fullest application of the principle had not been evident in the procurement case files and management information on the application of the best value for money principle had not been readily available, hindering efforts to monitor and assess its application.

16. To address the weaknesses highlighted, OIOS had issued three recommendations aimed at clarifying the best value for money principle and at strengthening management controls in the Procurement Division. The Administration had agreed, in principle, with the general assessment of OIOS that certain areas were in need of further improvement and had accepted the broad recommendations made. However, it did not subscribe to some of the findings and conclusions contained in the OIOS report, as indicated in the related report of the Secretary-General (A/61/846/Add.1).

17. The Administration had since provided updates on its efforts to implement the recommendations, as indicated in the comprehensive report of the Secretary-General on United Nations procurement activities (A/62/525). On the basis of that update, OIOS had closed one recommendation and considered two other recommendations in progress.

18. **Mr. Buades** (Chief, Procurement Service), introducing the note by the Secretary-General on the report of OIOS on the audit of the application of the best value for money principle in United Nations procurement (A/61/486/Add.1), said that the Secretariat agreed, in principle, with the general findings of OIOS that some aspects of the application of the best value for money principle needed improvement and accepted its three recommendations for addressing weaknesses. However, the Secretariat disagreed with some of the specific findings and conclusions of OIOS.

19. The Secretariat did not agree with OIOS that the Procurement Division applied the best value for money principle inconsistently. Being holistic or all-inclusive, and embedded in the procurement process or supply chain, the principle took into consideration the total cost of acquisition, as well as non-cost factors such as stakeholders' requirements, market environment and other related events and risks. Its aim was to optimize the acquisition process as a whole, from conception to execution. As a result, it must cover requisitioning offices and contract management staff, and possibly others, even though they were technically outside the procurement control and operations structure.

20. The findings of OIOS did not substantiate the conclusion that Procurement Division processes failed to ensure effective international competition, a policy of the Organization enshrined in the Procurement Manual. Statistics from the Procurement Division's vendor database showed that 85 per cent of the registered vendors had been invited to participate in one or more solicitations, based on the commodity code under which the vendor was registered. That represented 96 per cent of the countries registered in the vendor database. A total of 1,323 vendors had been awarded one or more contracts.

21. The Secretariat believed that an in-depth review of procurement from developing countries and countries with economies in transition should take place before any definite conclusions were reached. However, recent examples of the application of the best value for money principle showed greater procurement volume and value, suggesting positive effects on contract prices and opportunities for vendors in those countries.

22. The Procurement Division had already improved the application of the best value for money principle by updating the Procurement Manual and by devising a training module for all procurement staff at Headquarters, offices away from Headquarters and peacekeeping missions, and for members of the Headquarters Committee on Contracts and local committees on contracts. The new filing system introduced in 2007 had improved oversight of the Division's activities, while the ongoing updating of the vendor database would make the procurement process more accurate and effective. Increased focus on sourcing would help the Organization to achieve both effective international competition and best value for money. The Secretariat would continue to develop tools, templates and checklists to improve the application of the best value for money principle.

23. **Ms. McLurg** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on United Nations procurement activities (A/62/721), said that the Advisory Committee recommended that the General Assembly, subject to the Advisory Committee's comments, should take note of the Secretary-General's report.

24. A number of procurement-related measures requested by the General Assembly in its resolutions 61/246, 61/276 and 61/279 and figuring in the recommendations of the Office of Internal Oversight Services and the Procurement Task Force had not yet been covered in the Secretary-General's reform proposals. They included streamlined procurement procedures for peacekeeping operations in the field; defining the respective responsibilities of the Department of Management and the Department of Field Support in the procurement process; and strengthened monitoring, oversight and accountability. The Advisory Committee noted that those matters were due to be addressed in a comprehensive report on procurement governance to be submitted by the Secretary-General in May 2008.

25. The Advisory Committee had noted the implementation of a series of measures for improving internal control mechanisms, in particular in the area of ethics, integrity and conflict of interest, and that proposals had been made to optimize the acquisition and procurement management processes. However, there was not yet a common understanding of the definition or the application of the best value for money principle. As efficient management of procurement activities required integrated, real-time information systems, the Advisory Committee trusted that such requirements would be fully addressed in the context of the forthcoming detailed report of the Secretary-General on the enterprise resource planning system. The Advisory Committee also emphasized the need to intensify coordination and cooperation among the organizations of the United Nations system, in order to fully exploit the potential for achieving significant savings and efficiencies.

26. Noting the progress made in increasing procurement from developing countries and countries with economies in transition, the Advisory Committee encouraged the Secretariat to implement the proposals described in the Secretary-General's report and to further pursue its efforts in that regard.

27. The Advisory Committee hoped that the scope of the Secretary-General's comprehensive report on United Nations procurement activities (A/62/525) would be broadened to include more evidence and analysis, in order to facilitate the General Assembly's assessment of the progress being reported and the impact of the activities accomplished.

28. **Ms. Bizilj** (Slovenia), speaking on behalf of the European Union; the candidate countries Croatia, the

former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, Armenia, Liechtenstein and Ukraine, said that the sharp increase in the volume of procurement had given rise to new risks and technical challenges, creating a need for a strict policy of transparency, efficiency and adherence to the four basic principles governing procurement contained in the Financial Regulations and Rules (ST/SGB/2003/7).

29. While the European Union looked forward to the presentation of the comprehensive report on procurement governance to be submitted by the Secretary-General in May 2008, and welcomed the proposals already made for enhancing international control of procurement, improving application of the best value for money principle, reinforcing ethics standards and introducing an independent bid protest system, more remained to be done. The Advisory Committee recommendations were a good starting point for addressing the outstanding issues. Lastly, as several of the reports on procurement had been issued at the sixty-first session, her Group would like updated information on the matters which they had covered.

30. **Mr. Hunte** (Antigua and Barbuda), speaking on behalf of the Group of 77 and China, said that the Group was actively involved in United Nations procurement reform. It had made proposals aimed at increasing the efficiency, transparency and cost-effectiveness of United Nations procurement; stressed the importance of strengthening the Secretary-General's accountability to Member States; supported ethics and integrity training for staff, including at senior levels; and strongly affirmed that increasing procurement opportunities for vendors from developing countries was an integral and fundamental part of United Nations procurement reform. Equal, fair and non-discriminatory access must be given to companies from developing countries.

31. Rather than responding to the requests made in previous General Assembly resolutions, as the Group had hoped, the Secretary-General's report (A/62/525) once again focused mainly on the strengthening of internal controls, the optimization of the acquisition process and the strategic management of United Nations procurement. In essence, the report simply provided information about procurement activities during the past year and indicated that the Secretary-General would continue to provide updates on progress in reforming procurement.

32. The Group welcomed the Procurement Division's efforts to implement reform and the establishment of the Vendor Registration and Management Team, and looked forward to receiving detailed information on the progress made in diversifying vendors, simplifying vendor registration and managed the vendor database. It regretted, however, that many issues were still pending and, in that connection, stressed once again the need for a comprehensive report that took full account of procurement needs in the field and at Headquarters. Despite recognition of the need for urgent and overall reform, the Secretariat had made no attempt to review policies and procedures in order to improve procurement in peacekeeping operations. A piecemeal approach to procurement reform must be avoided.

33. The Group welcomed the Advisory Committee's report (A/62/721) and was confident that the recommendations contained therein would help the Fifth Committee to make progress at the first part of the resumed session. The Secretary-General should pursue his efforts to explore innovative ways to promote procurement from developing countries and countries with economies in transition; he regretted, in that regard, that in October 2007 there had been 987 registered vendors from developing countries and countries with economies in transition and 4,377 from industrialized countries.

34. The need for comprehensive reform had been highlighted by events at the main part of the sixty-second session, in particular the Secretary-General's decision to utilize a single-source contract without competitive bidding in the context of UNAMID. Recalling that, in its resolution 62/232, the General Assembly had requested the Secretary-General to take immediate action to supply goods and services in compliance with the established procedures for procurement, based on international competitive bidding and the widest possible geographical base of procurement, and had reaffirmed the need for the procurement system to be transparent, open, impartial and cost-effective, based on competitive bidding and fully reflecting the international character of the United Nations, he said that the Group looked forward to the comprehensive OIOS review of the use of the extraordinary measures for UNAMID requested by the General Assembly. In that regard, he expressed concern

about the Secretariat's handling of the contract, and asked the Secretariat to clarify, in a formal meeting, the information contained in an article published recently by Inner City Press.

35. The observations and recommendations contained in the OIOS report (A/61/846) reinforced the need for a comprehensive report on procurement and had the Group's full support. The Secretariat should act to change the perception among vendors in developing countries that their bids were not competitive. Noting the usefulness of the OIOS report, he requested the presence of an OIOS representative in the informal consultations.

36. With regard to procurement opportunities for vendors from developing countries, the Secretariat should clarify why there had been more business seminars in industrialized countries than in developing countries in 2006 and 2007; explain that criteria had been used to determine that in 2006 the percentage of United Nations procurement from developing countries and countries with economies in transition had reached 53 per cent, given that the Secretary-General himself had acknowledged that the United Nations faced difficulties in accurately reflecting the full extent to which developing countries and countries with economies in transition actually benefited from United Nations procurement opportunities; provide a list of countries that had hosted business seminars since the adoption of resolution 61/246; and provide information as to the impact of such seminars on vendor registration and on the participation of vendors from developing countries in United Nations procurement.

37. The Group would also appreciate further clarification of the concept of "green" or environmentally friendly procurement. The General Assembly had not yet approved such a concept, and the relevant criteria would need to be discussed before any budgetary proposals or amendments to the Procurement Manual could be considered. The Group was concerned about the possible implications of such a concept for the diversification of vendors, since companies could be arbitrarily refused for not being green enough.

38. Lastly, he reiterated that the reform agenda was determined by Member States, not by the Secretariat. Member States, therefore, should continue to determine the course of United Nations procurement reform.

39. **Ms. Rovirosa** (Mexico), speaking on behalf of the Rio Group, reiterated the need to continue improving the efficiency, transparency and cost-effectiveness of the United Nations procurement system. The Group welcomed the progress made by the Procurement Division in implementing reform and the establishment of the Vendor Registration and Management Team, but regretted that other key aspects of procurement reform were still pending. She hoped that all the issues that were to have been included in the Secretary-General's "comprehensive" report would be soon come before Member States for consideration. In that regard, the Group agreed with the Advisory Committee that the Secretary-General should broaden the scope of the annual report on procurement activities to include more evidence and analysis in order to facilitate the Assembly's assessment of the progress being reported and the impact of the activities accomplished on an ongoing basis.

40. Procurement opportunities should be extended to all Member States in an open and transparent manner. The United Nations Board of Auditors and the Advisory Committee had repeatedly stressed the need for the Procurement Division to diversify the origin of vendors in the United Nations procurement system; that issue had still not been properly addressed. In that regard, the Group requested information on the procurement of goods and services from the Latin America and Caribbean region, including for operational activities of the United Nations system, and called on the Secretary-General to intensify his efforts to find additional innovative ways to promote procurement from developing countries.

41. While agreeing with the general orientation of the concept of green procurement, the Group was concerned that in practice it would be yet another obstacle to efforts to diversify the origin of vendors. It was important, therefore, for the Secretariat to clarify the criteria for applying that concept before the General Assembly took a decision.

42. Noting that the OIOS report on the audit of the application of the best value for money principle in United Nations procurement (A/61/846) contained important recommendations, she said that the Group was keen to hear the response of the Secretariat and the views of other Member States. Lastly, the Group reiterated its commitment to procurement reform.

43. **Mr. Golovinov** (Russian Federation) said that the United Nations procurement system should be reformed strictly in accordance with the relevant

resolutions of the General Assembly, which had devoted consistent attention to the matter since the early 1990s, in order to improve efficiency and transparency, give all trustworthy vendors from all Member States access to United Nations contracts and prevent fraud and abuse. Believing that success in that endeavour depended on meticulous implementation of the decisions of Member States, his delegation drew little optimism from the reports currently before the Committee.

44. His delegation shared the Advisory Committee's concern that the report of the Secretary-General had not addressed important aspects of reform such as accountability, delegation of authority, the activities of the committees on contracts, procurement for field missions and proposals to improve efficiency, all of which would have to wait until the comprehensive report of the Secretary-General on procurement governance was submitted at the second part of the resumed sixty-second session.

45. Recalling that the General Assembly had requested a comprehensive report on procurement activities every two years, his delegation doubted the wisdom of adopting two General Assembly resolutions on procurement reform at a single session and thought it more logical that discussion of the present comprehensive report on United Nations procurement activities should continue at the second part of the resumed sixty-second session, when the comprehensive report of the Secretary-General on procurement governance was due to be considered, with a view to adopting a comprehensive resolution on procurement reform.

46. It was a matter of concern that the Secretariat had already delegated more procurement authority to the field, despite its failure to supply the assessment of related monitoring mechanisms that the General Assembly had requested. His delegation believed that the Secretariat had made too little progress in making field procurement staff aware of the Organization's procurement rules and procedures, and that training in the technical and ethical aspects of procurement should be given together, rather than separately as was currently the case. Such training should be mandatory for procurement staff, who should not assume procurement functions until they had attended an appropriate course.

47. His delegation was disappointed at the failure of the Secretariat, in the year since the adoption of General Assembly resolution 61/246 on procurement reform, to establish the parameters, procedures and financial implications of an independent bid protest system. According to the report of the Secretary-General currently before the Committee, implementation of the system would be on no more than a pilot basis. In addition, despite requests reiterated by the General Assembly in its resolutions 52/226 A, 54/14, 60/266, 61/246 and 61/276 over a period of 10 years, the report of the Secretary-General still lacked proposals to include in the Organization's Financial Rules and Regulations provisions to prevent conflict of interest in the procurement process. The report of the Secretary-General confined itself to acknowledging that there was no precise definition of "conflict of interest" endorsed by the General Assembly, and simply listed a series of internal instructions and measures adopted in the absence of such a definition.

48. Also absent from the report of the Secretary-General were precise information on the criteria governing implementation of the best value for money principle, an analysis of how it was used and a determination of the compatibility of its guiding rules with best practice. In that connection, his delegation shared the concern of the Advisory Committee, believing that selective use of the principle could lead to more subjective choices of vendor and higher contract costs.

49. Unfortunately, the action so far taken by the Secretariat to increase international competition for United Nations contracts, and particularly to improve access to such contracts for businesses from developing countries and countries with economies in transition, had either had little effect or had been cancelled out by other Procurement Division policies, such as contract bundling, in which mega-contracts were awarded to a middleman and actually fulfilled by subcontractors.

50. One example was the well-known $250 million single-source contract for the African Union-United Nations Hybrid Operation in Darfur (UNAMID), concluded with no bidding in October 2007. Not only did such contracts exclude bidders from developing countries and countries with economies in transition, they also removed a substantial volume of procurement activity from the oversight exercised by the

Procurement Division through its rules and procedures, which in practice did not cover subcontractors, and made entire peacekeeping operations dependent on a sole vendor. Significantly, such contracts were a recurring ill, having led to serious financial and other consequences for the Organization in the 1990s and having motivated subsequent procurement reform.

51. It was time for Member States to take the initiative and make use of the proposals of vendors in their countries with experience of the Organization in order to improve access to United Nations contracts for developing countries and countries with economies in transition. A possible first step was to examine the amount of the performance bond, often prohibitive for small and medium-sized enterprises, and the arrangements for bidders' conferences, which were difficult for vendors to attend unless invitations were received in good time.

52. Noting that the Secretariat had plans to amend the Procurement Manual, and that such changes would affect the Member States' procurement-related decisions and requests, his delegation would like the Secretariat to provide the wording of proposed changes, broken down according to the headings contained in annex II to the report of the Advisory Committee (A/62/721), entitled "Major Procurement Manual revision topics proposed for 2008". Welcoming the United Nations Global Marketplace Internet platform, his delegation also wished to propose various improvements, which it would explain in informal consultations.

53. Finally, no objective picture of the 10-year-old procurement reform process could be built up without comparing the current situation with the situation 10 or 15 years previously to determine whether progress had been made, whether abuse had decreased, and what bottlenecks remained and how they could be remedied. Accordingly, the Secretariat should ensure that those issues were properly addressed in the next comprehensive report of the Secretary-General on United Nations procurement activities.

54. **Mr. Scanlon** (United States of America) said that, since procurement reform was an ongoing process, the Secretary-General's comprehensive report (A/62/525) should be viewed as a progress report. It was important to recognize that, while some reform measures could be instituted rapidly, others would take longer to implement.

55. Efforts to strengthen the internal control mechanism of the procurement function had borne fruit and many of the objectives relating to enhancing the integrity of the procurement process were due to be met in 2008. While the establishment of the Procurement Reform Implementation Team and the Planning, Compliance and Monitoring Section should help to ensure that reform efforts were not neglected, his delegation was, nevertheless, concerned that the implementation of a number of measures had been delayed. One such measure was the independent bid protest system, key to enhancing transparency in the procurement decision-making process. Every effort should be made to launch a Secretariat-wide system as soon as possible.

56. His delegation concurred with the Advisory Committee's recommendation that the Secretary-General should specify how procurement managers would be held personally accountable for the proper application of existing procedures for accountability and delegation of authority. The Advisory Committee had also drawn attention to other relevant issues, such as the need to strengthen coordination and cooperation among the organizations of the United Nations system and the importance of improving the procurement process in peacekeeping operations.

57. Lastly, meaningful reform called for leadership, and the delay in filling the post of Director of the Procurement Division was therefore cause for concern. The Secretary-General should take the appropriate measures at the earliest opportunity.

58. **Mr. Matsunaga** (Japan) said that his delegation attached great importance to strengthening and improving procurement mechanisms and procedures. The adequacy of checks and balances and internal control systems and the respective roles and responsibilities of committees on contracts, both at Headquarters and in the field, were of particular concern.

59. The Secretary-General's detailed explanations of the measures taken to strengthen internal controls were especially welcome, as was the progress made on a number of fronts, inter alia the development, testing and roll-out of various training programmes and the design of an enhanced online vendor registration system. However, much remained to be done, including the establishment of an independent bid protest system and the development of a governance structure. His

delegation would be grateful for an update on the status of the report on procurement governance in peacekeeping operations. That report should fully address the various relevant concerns expressed by the Advisory Committee and Member States. While procurement activities in peacekeeping operations were subject to particular constraints, his delegation was concerned that, if the new governance structure failed to address the weaknesses in the internal control regime, United Nations resources might continue to be exposed to significant risks in terms of waste and fraud.

60. The progress described in the Secretary-General's report and the impact of the activities accomplished should be substantiated with data and other evidence and information on the mechanisms introduced to monitor progress. The paragraphs of the report dealing with accountability and delegation of authority were particularly pertinent in that regard and his delegation fully supported the Advisory Committee's recommendation that the Secretary-General should be requested to specify how managers would be held personally accountable for the proper application of the relevant procedures. The Secretariat should expand on that issue in informal consultations.

61. As the Headquarters Committee on Contracts was an integral part of the internal control framework of the Secretariat, it would be useful to have additional information on its effectiveness and an assessment of whether or not its independence was fully safeguarded. Lastly, the absence of guidelines offering a clear definition of the best value for money principle was cause for concern, since ambiguity in that area might undermine, rather than strengthen, the United Nations procurement system.

62. **Mr. Buades** (Chief, Procurement Service), responding to the questions raised, stressed that although the Procurement Division had taken ownership of the reform process and should therefore be held accountable for its success, procurement was a cross-cutting, strategic function. Accordingly, the reform affected not only procurement staff. It extended both upstream and downstream and meant in practice that up to 1,000 staff members in various offices and departments would need to be trained in the implementation of the best value for money principle.

63. Business seminars were intended to attract potential vendors and provide them with information about registration. It was, however, difficult to gauge the success of such seminars because vendors themselves, rather than the Organization, were responsible for initiating the registration process. In order to raise awareness of business seminars, the Procurement Division held regular planning meetings with Member States. Seminars were free of charge in developing countries, whereas industrialized countries were required to bear some of the organizational costs, including mission subsistence allowance for staff members. New vendors could certainly be accommodated in certain categories; detailed information about the Division's annual acquisition plan could be found on its website. In order to improve the support services available to vendors, the Vendor Registration and Management Team was endeavouring to reduce the total number of vendors in the database. The proposed bid protest system would include a debriefing procedure for unsuccessful vendors designed to improve their chances of success in subsequent bidding exercises.

64. Developing countries and countries with economies in transition had increased their share of total United Nations procurement from 45 per cent in 2006 to 53 per cent in 2007. However, while consistent, the methods used to collect those statistics were not necessarily the most effective and, although specialized data collection tools would be incorporated into the new enterprise resource planning system, it was still unclear whether those tools would be capable of capturing the level of detail required.

65. With regard to sustainable procurement practices, the Secretariat was lagging behind in comparison to the funds and programmes. Procurement activities were worth $2 billion a year and, although the best value for money principle and quality control were important elements of the reform process, it was important to devote greater attention to the environmental impact of those activities. The Organization must ensure that it was in the best interests of all concerned to pursue a greener approach to procurement.

66. He acknowledged that performance bonds could constitute an obstacle for some vendors from developing countries. While the Organization needed a mechanism for mitigating contractual risks, the financial securities required might be prohibitive. Lastly, referring to the delayed implementation of some reform measures, he underlined the importance of thorough testing procedures. The procurement process

involved so many stakeholders that it was essential to ensure that any measures proposed were sufficiently robust.

67. **Mr. Sena** (Brazil) wondered about the ethical implications of a situation in which industrialized countries bore some of the costs involved in hosting business seminars, such as staff travel and mission subsistence allowance. Furthermore, while his delegation was willing to consider the Secretary-General's proposals on diversifying the Organization's vendor base, detailed responses to the relevant questions raised by the representative of the Group of 77 and China would be required.

The meeting rose at 4.50 p.m.